



NH LIQUOR COMMISSION

Annual Report

Fiscal Year

2000

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2000

**NEW HAMPSHIRE
LIQUOR COMMISSION**

Jeanne Shaheen
GOVERNOR

Executive Council

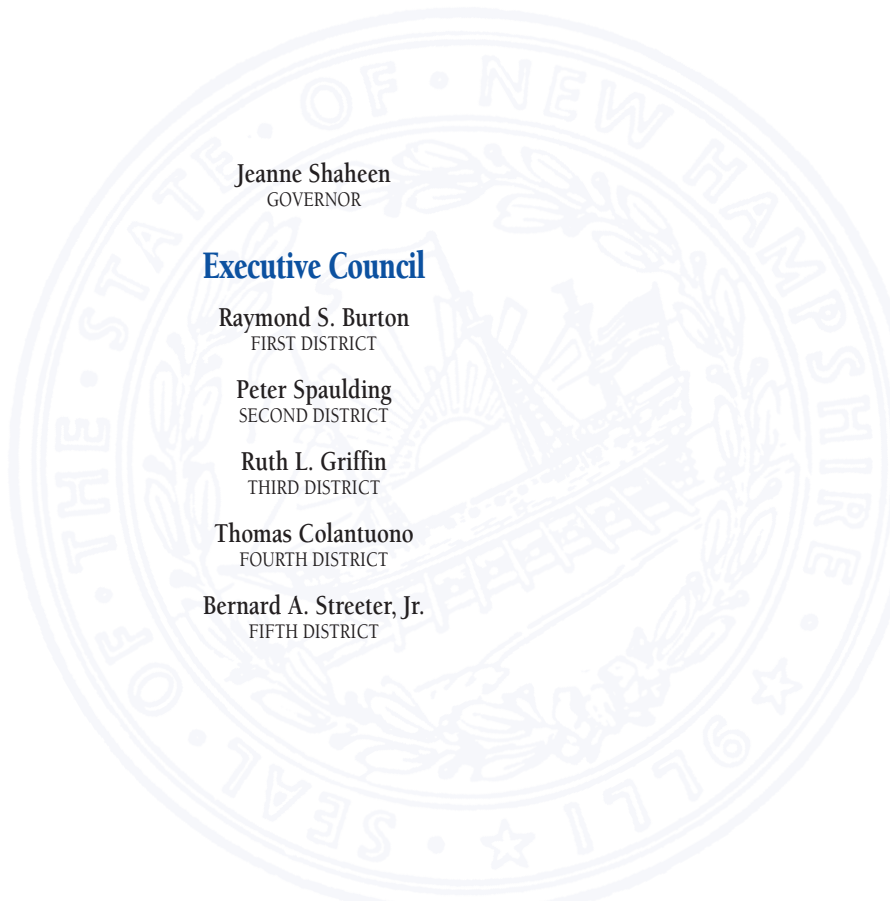
Raymond S. Burton
FIRST DISTRICT

Peter Spaulding
SECOND DISTRICT

Ruth L. Griffin
THIRD DISTRICT

Thomas Colantuono
FOURTH DISTRICT

Bernard A. Streeter, Jr.
FIFTH DISTRICT



From the NH Liquor Commission

November 2000

Her Excellency, Governor Jeanne Shaheen
State of New Hampshire
Concord, New Hampshire

Dear Governor Shaheen:

We are pleased to present to you the Fiscal Year 2000 annual report of the New Hampshire Liquor Commission. It covers the results of operations for the period of July 1, 1999 through June 30, 2000, and marks the 66th year of operation for the Commission.

Fiscal Year 2000 proved to be a year for the record books. Total sales reached a remarkable \$293 million, an increase of \$23 million from FY 1999. Net profit for 2000 also set a record of \$73.8 million.

This report outlines many of our accomplishments in areas throughout our operation and chronicles some of our major objectives for the future. Additional financial and operating data regarding the Commission is on file with the Department of Administrative Services or directly available through our office. We welcome your comments, questions, and suggestions and appreciate your continued support in our service to the people of our state.

Respectfully submitted,



JOHN W. BYRNE, CHAIRMAN



ANTHONY C. MAIOLA, COMMISSIONER



PATRICIA T. RUSSELL, COMMISSIONER

From the Governor

The New Hampshire Liquor Commission, under the authority granted to it by the New Hampshire Legislature, is responsible for regulating the sale, distribution and consumption of alcoholic beverages.

The Commission's Enforcement Division works to ensure that alcoholic beverages are purchased only by individuals of legal drinking age and that they are consumed responsibly. For more information on the Enforcement Division's education and alcohol awareness programs, please visit the Commission web site at www.state.nh.us/liquor.

This report outlines the financial performance of the New Hampshire Liquor Commission and reviews some of its other important achievements. My thanks to the Commission and its staff for their continued commitment and dedication in service to the people of New Hampshire and our visitors from across the nation and around the world.

A handwritten signature in blue ink that reads "Jeanne Shaheen".

GOVERNOR JEANNE SHAHEEN



Chairman's Message

Fiscal year 2000 was an historic and record setting year for the New Hampshire State Liquor Commission. We closed out the last year of the millennium with financial achievements exceeding all expectations.

Fiscal year 2000 culminates a five-year period of sustained growth in net revenues to New Hampshire's General Fund. For the period of Fiscal Years 1996 through 2000, net profits contributed to the General Fund totaled \$328 million.

This outstanding financial performance has been made possible through the many improvements in business practices implemented throughout our organization since



1995. Collectively, these new initiatives in merchandising, inventory management, data processing, internet marketing, employee training, customer service and more, have propelled our agency forward as one of the premier control states in the nation and positioned New Hampshire well as we begin a new millennium.

In recognition of the Granite State's achievements, I was honored to be elected to serve as President of the National Alcohol Beverage Control Association, presenting our state with an opportunity to bring further positive change to the issues impacting all control states.

Also of great importance to the Commission is our commitment to our Bureau of Enforcement's education programs. Key among these programs is our ongoing efforts to prevent the underage purchase and consumption of alcoholic beverages. We look forward to expanding our efforts in this regard over the coming year.

To be sure, our successes could not have been made possible without the dedication and hard work of the employees of the Commission. Commissioners Maiola and Russell join me in conveying our sincere appreciation for their commitment and special efforts.

While we are delighted with our past achievements, rest assured we have set our sights on the future: committed in every way to serving our state and our customers in the most efficient and effective way possible.


JOHN W. BYRNE, CHAIRMAN

Wine Market

Among all the control states in the nation, New Hampshire has proven to be a leader in marketing, education, and merchandising of its products and services. With wine and spirits sales continuing to flourish in an increasingly competitive and complex marketplace, the NHSLC is proud to stand as one of the nation's most profitable control states.

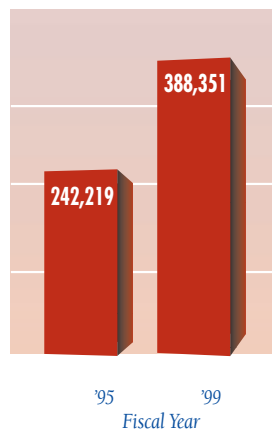
The wine culture in America has continued to grow at an exciting and remarkable pace. With significant social and market influences, an overall increased interest and enthusiasm regarding wines, and studies indicating the potential health benefits of moderate wine consumption, the Commission has continued to focus its sales and merchandising efforts to embrace wine's resurgence.

In New Hampshire, wine sales have continued to outperform the national average. Over the past three years, state wine sales have increased an average of almost \$7.6 million a year, and now make up 44% of the Liquor Commission's total sales and over 50% of the volume by product sold by the Commission.

Wine consumers continue to be the fastest growing consumer group in America, with red wines being the definitive variety of choice. In New Hampshire alone, red wine case sales have grown more than 60% over the past five years, while white wine case sales have increased a modest 9.2% during this time. A major catalyst behind this remarkable trend has been the explosion of new American wineries over the past five years.

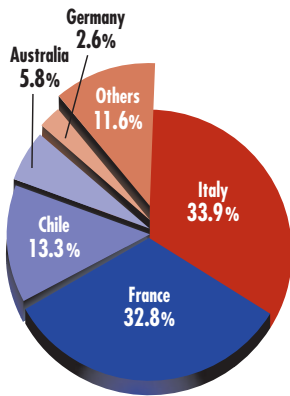
With improvements in domestic growing methods, enhanced distribution, and increased varieties, domestic reds and even whites have now gained the type of respect and appreciation that was previously reserved for only international vineyards. In fact, over the past several years, domestic wines have outsold imported products in the U.S. by more than seven to one.

NHSLC Red Wine Case Sales

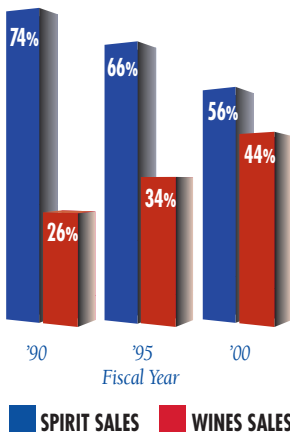


Over the past five years, NHSLC red wine case sales have grown by 60.4%.

U.S. Table Wine Imports by Country of Origin



NHSLC Wine vs. Spirit Sales Comparison



Over the past 10 years, wine sales have continued to experience significant growth, while spirit sales have been even paced. However, premium spirit sales continue to rise.

State and National Consumer Trends

Consumer purchasing patterns generally have shown a clear shift in interest and preference for higher premium products. While spirit volume sales have experienced a more modest growth, they still account for 56% of the Commission's total revenues. Similar to consumers' pursuit of finer, more distinct wines, premium spirit sales continue to rise. Premium vodkas like Belvedere, Grey Goose, and Ketel One have been very strong sellers. Bacardi and Captain Morgan Rum, and Jose Cuervo Tequila have also continued to post high sales numbers.

The World Wide Web has also had a dramatic and favorable impact upon the wine industry as a whole. With the limitless wealth of electronic information available today, wine novices and enthusiasts alike not only can enjoy wines, but also learn more about premium wines, their distinct qualities, and where to purchase them—whether it's around the corner, or around the globe. Recognizing the importance of maintaining and strengthening our competitive edge in a fast-changing internet marketplace, the NHSLC has dramatically improved its current website to increase overall exposure and provide easier, more efficient navigating for our customers as they search for sale prices on their favorite wines and spirits.

Last year was our first full year of operation under the state's direct shipping law. Over 2,600 adult consumers in the state purchased products on the web from 44 out-of-state vendors, wholesalers or retailers licensed to direct ship into New Hampshire. During the year, the state collected \$41,816 in tax receipts on sales of \$522,700. The Commission continues to work with all segments of the industry to make sure that only legal direct shipping occurs in the state.

These factors, and many others, have all contributed to the Commission's record-breaking sales of \$293 million for FY 2000, and we enter the new millennium with a renewed commitment to further capitalize on wine's continuously growing market.

Wine Marketing & Training Programs

Studies increasingly show that consumers seek a greater knowledge of wine, and with that knowledge, are more inclined to appreciate finer wines. With that in mind, the Commission aims to expand its wine education programs, ensuring our employees are equipped with the knowledge and expertise consumers have come to expect. With ongoing education and training for our employees—ensuring their own success, enthusiasm, and comfort level in talking to consumers about wine—these programs have become integral to our success.

Enhanced wine training seminars have helped educate employees on everything from wine basics to the nuances of a vintage port. These seminars, held periodically throughout the year and in different geographic regions of the state, have succeeded in making it easier for employees to more effectively assist customers with their questions about our products. While the number of Commission employees has stayed fairly constant for the past ten years, record-breaking sales numbers suggest that these programs and others are allowing us to perform more effectively and efficiently than ever before.

The Wine & Food program continues to offer a fun and interesting way to educate consumers about the distinctiveness of various wine varieties and how to select and pair fine wines with food. As part of this program, the Commission continues to have success with hosting wine tastings across the state. Hosted in cooperation with non-profit organizations, these ever-popular wine tastings offer a relaxed social atmosphere where consumers can learn about and experience distinct wines from all over the world, while at the same time support local charities throughout our great state. The NHSLC plans to continue to expand the scope of the wine tasting program.

As a result of continued strength and support of our already existing programs, enhanced training seminars, and a more sophisticated and enthusiastic wine market, FY 2000 proved to be a robust year in every aspect.

Wine Tasting Program

The NHSLC's Wine Tasting program, in conjunction with the non-profit community in New Hampshire, has assisted the following organizations in their fundraising efforts over the past five years:

Claremont Opera House

Rochester Opera House

*American Heart Association
Nashua chapter*

Portsmouth Chamber of Commerce

Derry Chamber of Commerce

*Mt. Washington Valley
Chamber of Commerce*

Monadnock Music

Capitol Center for the Arts

*New Hampshire Public
Radio/WEVO*

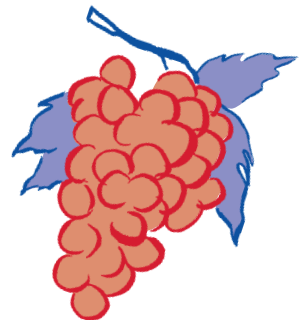
Junior Service League of Concord

*American Business Women's
Association*

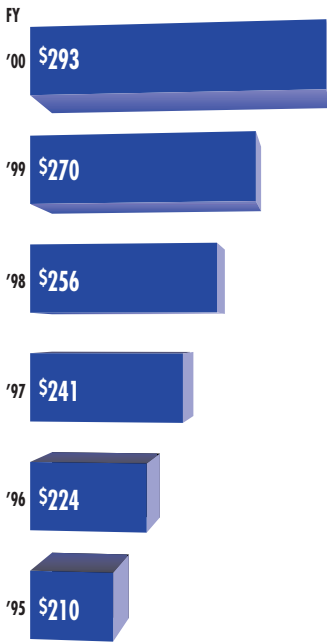
NH Symphony

Carrier Gallery of Art

American Stage Festival



NHSLC Total Sales



Dollars in Millions

From FY '95 to FY '00 total annual NHSLC sales have increased by \$83 million.

Cultivating Positive Change

The combination of a good economy, a once in a lifetime New Year's Millennium, and increased wine sales, created an exhilarating atmosphere for the 2000 Fiscal Year. Some stores even set new statewide sales records, like store #34 in Salem which hit a new one day sales record on Thursday, December 23, 1999.

But to put these vast achievements into perspective, sales numbers over the past five years truly tell the story. Since 1995, retail-store sales have increased 26% to \$207.4 million; our wholesale business is just as robust with restaurant sales increasing 30% to \$36.7 million; and grocery and convenience store sales increasing 36% to \$48.7 million.

With more aggressive marketing initiatives, new computer systems, on-line access, a new credit card system, and economic favorability, it's been a culmination of positive changes that has led to an impressive record-breaking year and much anticipation of more good things to come.

Merchandising

The Commission continued to expand its in-store merchandising and promotional efforts in FY 2000 to better satisfy our customers and to further communicate our impressive product variety and value.

Traditionally, we offer a number of different case and category sales throughout the year. These programs are designed to highlight special product pricing, as well as new wine and vineyard promotions to help stimulate greater consumer interest and volume purchasing. Sales trends also show that consumers are more likely to purchase multiple bottles and cases for cellars and holiday celebrations. These sales and others helped contribute to an almost 10% growth in retail sales for FY 2000.

One of our most successful direct marketing education programs to consumers is the Commission's free publication—the Grapevine. This four-page, four-color newsletter offers wine and spirits' reviews,

industry trends, what's hot, helpful tips, facts and sales information for those readers who appreciate fine wine and dining. Similarly, our televised Wine and Dine program, a partnership with WMUR-TV, also promotes tasteful pairings of food and wine by showcasing restaurants across the state.

As we look back, FY 2000 merchandising efforts were marked by enthusiasm and a strengthened commitment to providing our customers with the best value and service the wine and spirits industry has to offer.

Bureau of Enforcement – Year in Review

The past year was a productive one for the Bureau of Enforcement. The Bureau received a second year of funding from the US Department of Justice to help combat underage drinking. The grant enabled the Bureau to expand the Community Outreach Unit and increase its educational programs offered to licensees. The Outreach unit also rolled out the new Management Training Seminar (MTS)—a program designed to help restaurant owners and managers better understand their responsibilities, and offer model policies and solutions to the issues of underage drinking and the over-service of alcohol.

The Bureau continues to remain active in the community coalitions around the State addressing the issue of underage drinking, and is currently working with college coalitions at Keene State College, Plymouth State College, and the University of New Hampshire. The long-range goal of the Bureau is to become an active member of all coalitions that are concerned with underage drinking and the health and welfare of our younger citizens.

The past year was also favorable in terms of legislative issues. Legislation now requires registration of kegs sold at retail locations, a new law as of January 1, 2000. This law will hopefully act as a deterrent for adults who are contemplating a purchase of keg beer for those not old enough to consume it.

Fiscal Year 2000 Facts

Total liquor sales =
\$293 million

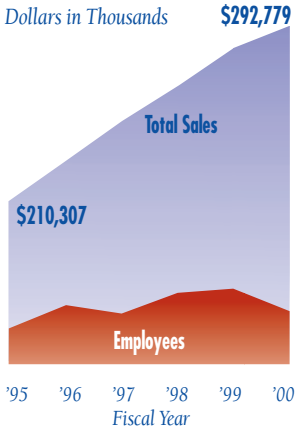
Net profit from
operations =
\$73.8 million

Store with highest sales =
\$17.6 million
(Hampton-North)



The Commission's Enforcement Division ensures that alcoholic beverages are purchased only by individuals of legal drinking age, and that they are consumed responsibly.

NHSLC Total Sales vs. Number of Employees



While the total number of NHSLC employees has stayed relatively constant over the past six years, total NHSLC sales have skyrocketed, indicating a more streamlined and efficient operation than ever before.

Personnel Data

CURRENT NUMBER OF EMPLOYEES	06/30/00	06/30/99
Unclassified	3	3
Classified	274	309
Temporary *	411	458
Total	688	770

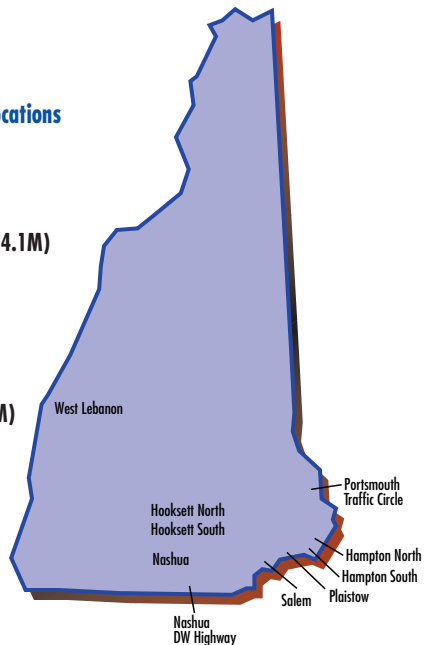
*Permanent employees are those occupying positions permanently established by the legislature, whereas temporary employees are those whose service is authorized for a limited or intermittent period.

Physical Plant and Property Appraisal

	06/30/00	06/30/99
Land and Land Improvements	2,679,379	\$2,679,379
Buildings and Improvements	14,559,814	14,286,216
Equipment	7,588,905	6,605,498
Total	\$24,828,098	\$23,571,093
Less: Allowance for Depreciation and Amortization	(10,420,882)	(9,987,901)
Net Fixed Assets	\$14,407,216	\$13,583,192

NHSLC Top 10 Retail Store Locations

1. Hampton - North (\$17.6M)
2. Hampton - South (\$14.4M)
3. Portsmouth Traffic Circle (\$14.1M)
4. Salem (\$12.0M)
5. Nashua (\$11.5M)
6. Hooksett North (\$10.3M)
7. Nashua DW Highway (\$9.6M)
8. West Lebanon (\$8.8M)
9. Hooksett-South (\$7.9M)
10. Plaistow (\$5.2M)



State of New Hampshire Liquor Commission

Comparative Income Statement-Liquor*

FISCAL YEARS ENDED 6/30/99 AND 6/30/00	July 01, 1999 through June 30, 2000	July 01, 1998 through June 30, 1999	% FY 00	% FY 99	Increase/ (Decrease)	% Incr/ (Dcr)
REVENUE						
Sales – Retail	\$207,365,152	\$192,014,075	0.71	0.72	15,351,077	0.08
Sales – On-Premise	36,725,941	33,681,626	0.13	0.13	3,044,315	0.09
Sales – Off-Premise	48,688,334	44,413,338	0.17	0.17	4,274,996	0.10
Total Sales	\$292,779,427	\$270,109,039	1.00	1.00	22,670,388	0.08
Less Discounts, Credit Card Fees, Etc.	(4,916,632)	(4,591,012)	-0.02	(0.62)	-325,620	0.07
Net Sales	\$287,862,795	\$265,518,028	1.00	1.00	22,344,767	0.08
COST OF GOODS						
Inventory Change	(\$1,419,102)	\$2,445,841	0.00	0.01	-3,864,943	-1.58
Purchases Net	207,971,530	188,056,342	0.72	0.71	19,915,188	0.11
Buy-In Storage & Handling	365,493	307,360	0.00	0.00	58,133	0.19
Freight to Stores	985,391	960,421	0.00	0.00	24,970	0.03
Total Cost of Sales	\$207,903,312	\$191,769,964	0.72	0.72	16,133,348	0.08
Gross Profit from Sales	\$79,959,483	\$73,748,064	0.28	0.28	6,211,419	0.08
OTHER REVENUE						
Liquor Rep. Fees	\$4,004	\$3,926	0.00	0.00	78	0.02
Licenses – Liquor	2,785,647	2,843,405	0.61	0.63	-57,758	-0.02
Licenses – Wine	140	720	0.00	0.00	-580	-0.81
Brand Registration Fees	107,950	102,866	0.02	0.02	5,084	0.05
Check & Administrative Fines	141,076	148,226	0.03	0.03	-7,150	-0.05
Warehouse Bailment Income	1,005,428	893,878	0.22	0.20	111,550	0.12
Wine Tax	7,892	6,771	0.00	0.00	1,121	0.17
Sweepstakes Income	392,971	448,390	0.09	0.10	-55,419	-0.12
Inventory Information	4,401	6,160	0.00	0.00	-1,759	-0.29
Direct Shipping Permits	48,415	3,408	0.01	0.00	45,007	13.21
Processing/Investigation Fees	50,691	56,264	0.01	0.01	-5,573	-0.10
Miscellaneous	31,978	33,278	0.01	0.01	-1,300	-0.04
Total Other Revenue	\$4,580,593	\$4,547,292	1.00	1.00	33,301	0.01
Total Gross Profit	\$84,540,076	\$78,295,356	0.29	0.29	6,244,720	0.08

* Unaudited

State of New Hampshire Liquor Commission

Comparative Income Statement-Liquor*

FISCAL YEARS ENDED 6/30/99 AND 6/30/00	July 01, 1999 through June 30, 2000	July 01, 1998 through June 30, 1999	% FY 00	% FY 99	Increase/ (Decrease)	% Incr/ (Dcr)
OPERATING EXPENSES						
Commissioner's Office	628,460	\$470,146	0.03	0.02	158,314	0.34
Data Processing	829,555	810,754	0.04	0.04	18,801	0.02
Accounting and Finance	986,124	959,148	0.05	0.05	26,976	0.03
Merchandising – Admin.	428,960	348,940	0.02	0.02	80,020	0.23
Purchasing	54,767	51,619	0.00	0.00	3,148	0.06
Human Resources	80,491	70,667	0.00	0.00	9,824	0.14
Merchandising – Stores	16,166,409	15,604,154	0.76	0.79	562,255	0.04
Warehouse	710,844	649,517	0.03	0.03	61,327	0.09
Depreciation Expenses –						
• Office of Commissioners	92,125	68,300	0.00	0.00	23,825	0.35
• Data Processing	521,368	160,446	0.02	0.01	360,922	2.25
• Accounting and Finance	35,313	30,800	0.00	0.00	4,513	0.15
• Merchandising	206	647	0.00	0.00	-441	-0.68
• Human Resources	68	–	0.00	0.00	68	0.00
• Stores	582,540	557,902	0.03	0.03	24,638	0.04
• Warehouse	80,206	78,454	0.00	0.00	1,752	0.02
Total Expenses	\$21,197,436	\$19,861,494	1.00	1.00	1,335,942	0.07
Net Profit –						
• Liquor Operations	\$63,342,640	\$58,433,862	0.22	0.22	4,908,778	0.08
• Licensing & Enforcement	10,439,041	10,258,744	0.04	0.04	180,297	0.02
Loss on Disposal of F/A	(2,473)	(6,017)	0.00	0.00	3,544	-0.59
Total Net Profit	\$73,779,208	\$68,686,589	0.26	0.26	5,092,619	0.07

* Unaudited

NOTE:

Beginning Inventory	17,738,064	\$20,183,905			-2,445,841
Inventory Change	1,419,102	(2,445,841)			3,864,943
Ending Inventory	\$19,157,166	\$17,738,064			1,419,102

State of New Hampshire Liquor Commission

Statement of Financial Position June 30, 2000*

	June 30, 2000	June 30, 1999	Increase/ (Decrease)	% Incr/ (Dcr)
Assets				
CURRENT ASSETS				
Cash and Cash Equivalents	\$3,030,271	\$1,641,229	1,389,041	84.63
Accounts Receivable	3,997,684	3,427,814	569,870	16.62
Liquor Inventory	19,157,166	17,738,064	1,419,102	8.00
Total Current Assets	\$26,185,121	\$22,807,108	3,378,014	14.81
PROPERTY, PLANT & EQUIPMENT				
Land & Land Improvements	\$2,679,379	\$2,679,379	0	0.00
Buildings and Leasehold Improvements	14,559,814	14,286,216	273,598	1.92
Vehicles, Equipment and Furniture	7,588,905	6,605,498	983,407	14.89
Total Property, Plant and Equipment	\$24,828,098	\$23,571,093	1,257,005	5.33
Less Allowance for Depreciation and Amortization	10,420,882	9,987,901	432,981	4.34
Net Property, Plant and Equipment	14,407,216	13,583,193	824,024	6.07
Total Assets	\$40,592,338	\$36,390,301	4,202,037	11.55
Liabilities & Funded Equity				
Accounts Payable	\$25,309,954	\$25,769,463	-459,508	-1.78
Deferred Income	1,855,312	1,767,923	87,389	4.94
Net Investment in Current Assets	-980,145	-4,730,278	3,750,133	-79.28
Total Current Liabilities	\$26,185,121	\$22,807,108	3,378,013	14.81
Net Investment in Fixed Assets	14,407,216	13,583,193	824,023	6.07
Total Liabilities & Funded Equity	\$40,592,338	\$36,390,301	4,202,037	11.55

* Unaudited

State of New Hampshire Liquor Commission

Five-Year Comparative Statement of Operations-Liquor*

AMOUNT IN THOUSANDS	FY 00	FY 99	FY 98	FY 97	FY 96
SALES					
Sales – Retail	\$207,365	\$192,014	\$181,205	\$173,184	\$162,782
Sales – On-Premise	36,726	33,682	31,903	29,344	27,113
Sales – Off-Premise	48,688	44,413	42,482	38,562	34,288
Total Sales	\$292,779	\$270,109	\$255,590	\$241,090	\$224,183
Less Discounts, CC, Etc.	4,916	4,591	3,634	3,257	2,818
Net Sales	\$287,863	\$265,518	\$251,956	\$237,833	\$221,365
Cost of Goods Sold	207,903	191,770	180,994	171,358	159,115
Gross Profit on Sales	\$79,960	\$73,748	\$70,962	\$66,475	\$62,250
OTHER REVENUE					
Liquor and Wine Licenses	\$2,786	\$2,844	\$2,777	\$2,784	\$2,765
Liquor Rep. Fees	4	4	4	4	4
Sweepstakes Income	393	448	420	405	405
Miscellaneous	1,397	1,251	1,260	1,371	1,283
Total Other Revenue	\$4,580	\$4,547	\$4,461	\$4,564	\$4,457
Total Gross Profit	\$84,540	\$78,295	\$75,423	\$71,039	\$66,707
OPERATING EXPENSES					
Office of Commission	\$629	\$470	\$455	\$535	\$527
Data Processing	829	811	688	772	969
Accounting and Finance	986	959	842	941	945
Merchandising – Administration	429	349	322	316	335
Human Resources	81	71	75		
Purchasing	55	52	53	51	51
Merchandising – Stores	16,167	15,604	15,270	14,888	14,657
Warehouse	711	649	721	660	741
Total Operating Expenses	\$19,887	\$18,965	\$18,426	\$18,163	\$18,225
Net Operating Profit	\$64,653	\$59,330	\$56,997	\$52,876	\$48,482

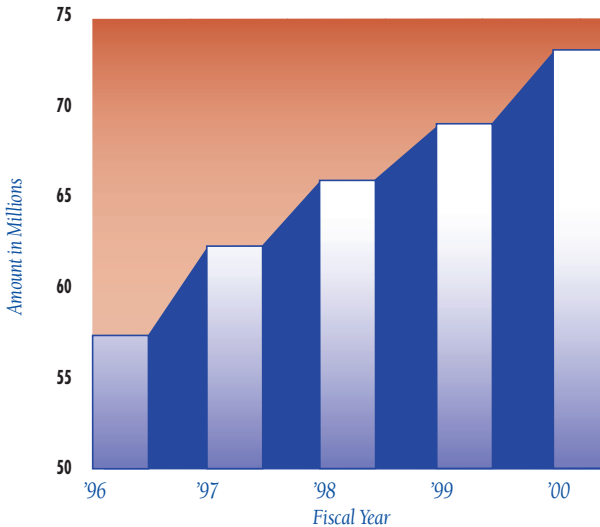
State of New Hampshire Liquor Commission

Five-Year Comparative Statement of Operations-Liquor*

AMOUNT IN THOUSANDS	FY 00	FY 99	FY 98	FY 97	FY 96
OTHER EXPENSES					
Depreciation	\$1,311	\$896	\$814	\$1,049	\$1,038
(Gain)/Loss on F/A	2	6	21	6	11
Total Other Expenses	\$1,313	\$902	\$835	\$1,055	\$1,049
Net Profit from Liquor	\$63,340	\$58,428	\$56,162	\$51,821	\$47,433
ENFORCEMENT AND LICENSING					
Rev. – Beer Tax and Permits	\$12,301	\$11,617	\$11,442	\$11,366	\$11,113
Exp. – Enforcement and Licensing	1,813	1,358	1,207	1,187	1,153
Depreciation	49	0	0	2	3
Net Profit from Enforcement	\$10,439	\$10,259	\$10,235	\$10,177	\$9,957
Total Net Profit	\$73,779	\$68,687	\$66,397	\$61,998	\$57,390

* Unaudited

NHSLC Total Net Profits



FY '96 to FY '00 net profit to New Hampshire's General Fund has totaled \$328 million.

STATE LIQUOR & WINE OUTLET STORES NH LIQUOR COMMISSION



John W. Byrne
CHAIRMAN



Anthony C. Maiola
COMMISSIONER



Patricia T. Russell
COMMISSIONER

New Hampshire Liquor Commission

PO Box 503

Storrs Street

Concord, NH 03302-0503

800-345-6452 (*Store hours and product information*)

800-543-4664 (*Sales information*)

Visit our web site at www.state.nh.us/liquor